

Message Text

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ACTION AF-10

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FM AMEMBASSY DAR ES SALAAM
TO SECSTATE WASHDC 0000
AMEMBASSY NAIROBI
AMCONSUL ZANZIBAR

UNCLAS DAR ES SALAAM 2703
NAIROBI FOR AG. ATT.

E.O. 11652: N/A
TAGS: ECON, EAGR, TZ
SUBJ: TANZANIA BUDGET DEBATE

REF: DAR ES SALAAM 2703

1. TANGOV PROPOSED BUDGET ESTIMATES (REFTEL) WERE APPROVED BY NATIONAL ASSEMBLY AFTER FIVE DAYS OF DEBATE. ACCORDING MEDIA, PARLIAMENTARIANS RAISED TWO MAJOR THEMES - CALLS FOR HIGHER PRODUCER PRICES FOR AGRICULTURAL CROPS AND FOR INCREASES IN SALARY STRUCTURE.
2. MAJORITY OF MP'S INCLUDING MUNGAI, HEAD OF SUGAR CORP. AND FORMER AGRICULTURE MINISTER, REPORTEDLY ARGUED THAT GOVERNMENT-SET PRODUCER PRICES FOR CASH CROPS WERE TOO LOW TO BE AN INCENTIVE FOR FARMERS. FOR EXAMPLE, WHILE COST OF PRODUCING KILOGRAM OF COTTON HAS RISEN TO 35 CENTS U.S. GOVERNMENT PAYS ONLY 30 CENTS FOR TO GRADE. THIS EXPLAINS, THEY SAID, DECLINING PRODUCTION OF MOST MAJOR EXPORT COMMODITIES AS WELL AS ADIBLE OIL CROPS. FARMERS WERE SHIFTING TO GRAINS WHICH GOVERNMENT PURCHASED AT CLOSE TO WORLD MARKET PRICES.

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MUNGAI SUGGESTED CROP PRICING POLICY THAT CONFORMS WITH NATIONAL PRODUCTION TARGETS. PARLIAMENTARIAN ALSO CRITICIZED POOR TRANSPORT AND CROP COLLECTION SYSTEM WHICH FRUSTRATE FARMERS'S EFFORTS TO GROW MORE.

3. PARLIAMENTARIANS ALSO NOTED WITH CONCERN THAT MINIMUM WAGE (\$48PER MONTH) AND SALARY SCALES HAVE BEEN FROZEN SINCE 1975,

WHILE DURING THE SAME THREE YEAR PERIOD COST OF LIVING HAS INCREASED DRAMATICALLY (AT LEAST 60 PER CENT). CIVIL SERVANTS AND WORKERS ARE BEING SQUEEZED BY TAXES AND INFLATION. MP'S SAID PRICE CONTROL MECHANISM HAS BEEN OF LITTLE APPARENT HELP IN PROTECTING DISPOSABLE INCOME.

4. RESPONDING FOR THE GOVERNMENT, PRIME MINISTER CAUTIONED PARLIAMENTARIANS ABOUT DEMANDING OR EXPECTING HIGHER CROP PRICES AND SALARIES IN VIEW OF TANZANIA'S POVERTY. HE SAID CROP PRICES ARE REVIEWED ANNUALLY AND POINTED OUT THAT RAISING PRODUCER PRICES IS NOT ONLY OR ALWAYS EFFECTIVE METHOD TO INCREASE PRODUCTION. SIMILARLY, HE SAID GOVERNMENT IS CONDUCTING REVIEW OF SALARY ISSUE BUT THAT RAISES, IF NECESSARY, WOULD BE LINKED TO PRODUCTIVITY. CAMBRIDGE PROFESSOR, TURNER, HAD PREPARED REPORT FOR TANGOV ON A NATIONAL POLICY FOR INCOMES, WAGES AND PRICES ANG GOVERNMENT EXPECTED FORMULATE DECISIONS WITHIN THREE YEARS.

SPAIN

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